



LOWNDES COUNTY BOARD OF EDUCATION VALDOSTA, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

(Including Independent Auditor's Reports)



LOWNDES COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

June 16, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Lowndes County Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and 68*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through xi and pages 31 through 35 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 6 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated Section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Greg S. Griffin
State Auditor

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

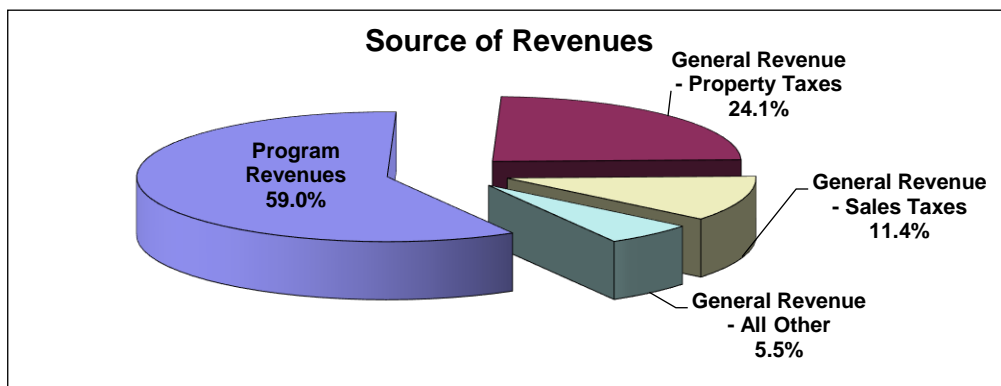
INTRODUCTION

The School District's financial statements for the fiscal year ended June 30, 2016 includes a series of basic financial statements that report financial information for the School District as a whole. The Statement of Net Position and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the School District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's general fund, is important in its own right, but will also give insight into the School District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- On the government-wide financial statements the School District's net position at June 30, 2016 was \$122.2 million. Net position reflects the difference between all assets and deferred outflows of resources of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2016 of \$122.2 million represented an increase of about \$13.5 million when compared to the prior year.
- The School District had \$94.8 million and \$94.3 million in expenses relating to governmental activities for fiscal years ended June 30, 2016 and June 30, 2015, respectively. Only \$63.9 million and \$61.8 million of the above expenses for 2016 and 2015 were offset by the program specific revenues of charges for services and grants and contributions. General revenues (primarily property and sales taxes) of \$44.4 million and \$41.9 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$44.4 million or about 41.0% of all revenues, totaling \$108.3 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues. (Percentages in table below are rounded to one decimal place).



LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- The current ratio, which measures the Board's ability to transform current assets into cash and pay its short-term liabilities, was 3.12 and 2.54 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Generally, a ratio greater than 2.0 is considered very financially stable.
- The Lowndes County voters passed a one percent sales tax for educational purposes (ESPLOST) for another five years (2017-2022) on March 17, 2015. The voters also approved the issuance of \$50.0 million general obligation bonds that have not been issued as of June 30, 2016.
- The general fund (the primary operating fund), presented on the current financial resources basis, ended the fiscal year with \$96.6 million in revenues and \$90.5 million in expenditures. The general fund balance of almost \$13.3 million, is an increase of \$6.1 million from the June 30, 2015 fund balance of \$7.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements, including notes to the financial statements, and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

The government-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the School District presenting both short-term and long-term information about the overall financial status.

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2016 and 2015, the general fund, the capital projects fund, and the debt service fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

Government-wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the School District's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct-type of activity:

- **Governmental Activities** – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts, and various others.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required by State law and some by bond requirements. The School District's major governmental funds are the general fund, the capital projects fund, and the debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net position, as measured in the Statement of Net Position is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position - as measured in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the School District.

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

In the case of the Lowndes County School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$122.2 million at June 30, 2016. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$122.2 million of net position, almost \$14.8 million was restricted for continuation of various State and Federal programs, debt service, and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had nearly \$176.0 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The offsetting balance of *unrestricted net position* of almost (\$68.5) million is driven to a deficit due to the calculation of net position with net pension liabilities, uncanceled bond proceeds and bonds outstanding. These balances should be viewed in consideration with the Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position found at Exhibit "D", as well as the Fund Balance section of the Notes to the Financial Statements. Otherwise, the unrestricted net position may be used to meet the School District's ongoing obligations to citizens and creditors.

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Table 1
Net Position

	Governmental Activities	
	Fiscal	Fiscal
	Year 2016	Year 2015
Assets		
Current and Other Assets	\$ 42,471,370	\$ 35,317,524
Capital Assets, Net	176,009,728	179,153,576
Total Assets	218,481,098	214,471,100
Deferred Outflows of Resources	10,507,298	10,899,260
Total Assets and Deferred Outflows of Resources	228,988,396	225,370,360
Liabilities		
Current and Other Liabilities	13,611,403	13,895,140
Long-Term Liabilities	84,352,328	81,989,766
Total Liabilities	97,963,731	95,884,906
Deferred Inflows of Resources	8,822,764	20,827,380
Total Liabilities and Deferred Inflows of Resources	106,786,495	116,712,286
Net Position		
Net Investment in Capital Assets	175,906,122	171,774,469
Restricted	14,765,335	13,508,774
Unrestricted (Deficit)	(68,469,556)	(76,625,169)
Total Net Position	\$ 122,201,901	\$ 108,658,074

Total net position increased \$13.5 million in fiscal year 2016 from the prior year. The change in net position is detailed in Table 2 as presented below, yielding an increase of \$13.5 million over prior year.

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 2 presents changes in net position as compared to the prior fiscal year.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Revenues		
Program Revenues:		
Charges for Services	\$ 1,922,695	\$ 1,804,226
Operating Grants and Contributions	61,718,063	59,348,862
Capital Grants and Contributions	308,880	617,760
Total Program Revenues	<u>63,949,638</u>	<u>61,770,848</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	26,037,256	25,330,058
Other Taxes	72,559	62,598
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	11,827,638	6,218,250
For Capital Projects	-	5,935,965
Other Sales Tax	482,517	412,344
Grants and Contributions not		
Restricted to Specific Programs	3,851,708	2,810,385
Investment Earnings	101,053	55,941
Miscellaneous	2,045,679	1,051,895
Special Items		
Loss on Disposal of Buildings and Equipment	-	(2,061,163)
Transfers	-	(14,165)
Total General Revenues, Special Items and Transfers	<u>44,418,410</u>	<u>39,802,108</u>
Total Revenues	<u>108,368,048</u>	<u>101,572,956</u>
Program Expenses		
Instruction	60,459,072	60,006,155
Support Services		
Pupil Services	3,708,583	3,552,717
Improvement of Instructional Services	2,851,096	2,787,349
Educational Media Services	1,374,725	1,392,916
General Administration	1,013,662	989,445
School Administration	4,165,186	4,331,924
Business Administration	1,314,028	1,175,836
Maintenance and Operation of Plant	7,209,757	7,296,595
Student Transportation Services	5,200,568	5,014,841
Central Support Services	826,322	760,260
Other Support Services	180,365	179,059
Operations of Non-Instructional Services		
Enterprise Operations	163,604	179,139
Community Services	1,972	4,038
Food Services	5,603,132	5,488,140
Interest on Short-Term and Long-Term Debt	<u>752,149</u>	<u>1,098,586</u>
Total Expenses	<u>94,824,221</u>	<u>94,257,000</u>
Increase in Net Position	<u>\$ 13,543,827</u>	<u>\$ 7,315,956</u>

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cost of Providing Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

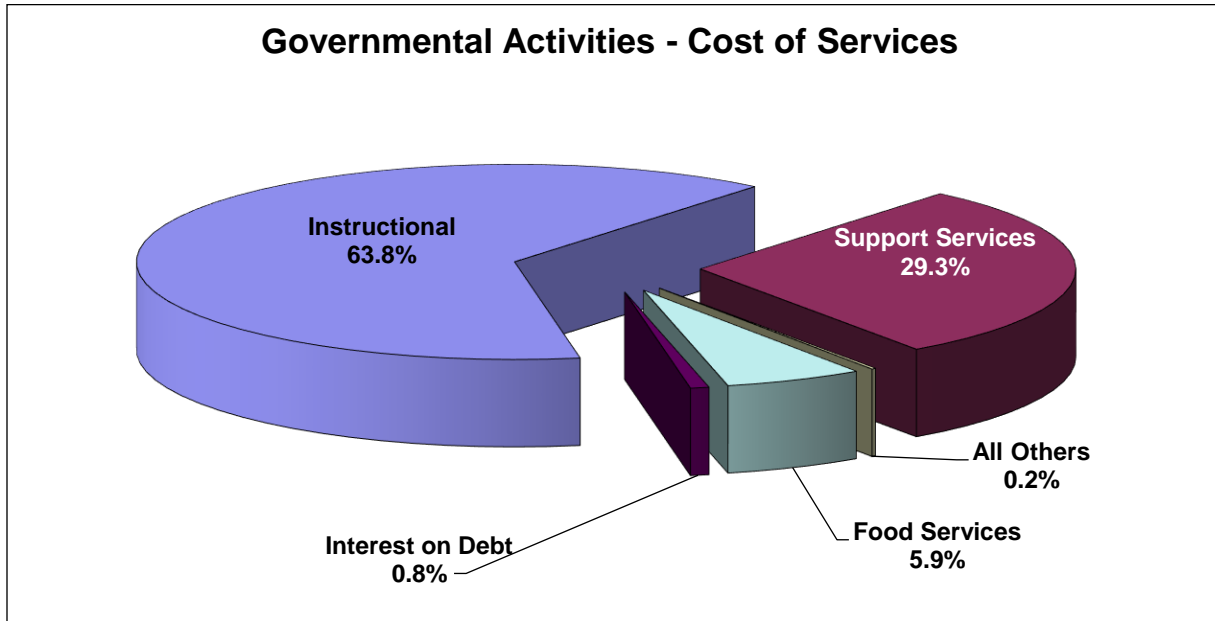
Expenditures increased \$567 thousand, while net cost of services decreased \$1.6 million from the prior fiscal year, primarily due to an increase in operating grants and contributions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
Instruction	\$ 60,459,072	\$ 60,006,155	\$ 15,333,269	\$ 17,111,458
Support Services:				
Pupil Services	3,708,583	3,552,717	3,146,851	2,720,639
Improvement of Instructional Services	2,851,096	2,787,349	700,617	813,370
Educational Media Services	1,374,725	1,392,916	45,641	59,317
General Administration	1,013,662	989,445	(603,815)	(616,759)
School Administration	4,165,186	4,331,924	1,586,787	1,763,276
Business Administration	1,314,028	1,175,836	1,286,789	1,148,676
Maintenance and Operation of Plant	7,209,757	7,296,595	3,900,753	4,001,935
Student Transportation Services	5,200,568	5,014,841	3,451,448	3,014,811
Central Support Services	826,322	760,260	808,096	742,550
Other Support Services	180,365	179,059	95,944	116,489
Operations of Non-Instructional Services:				
Enterprise Operations	163,604	179,139	163,604	179,140
Community Services	1,972	4,038	1,972	4,038
Food Services	5,603,132	5,488,140	204,478	328,627
Interest on Short-Term and Long-Term Debt	752,149	1,098,586	752,149	1,098,586
Total Expenses	<u>\$ 94,824,221</u>	<u>\$ 94,257,000</u>	<u>\$ 30,874,583</u>	<u>\$ 32,486,153</u>

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The chart below shows a functional summary of the expenses made by the School District during fiscal year 2016. The percentages are rounded to one decimal place.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$108.5 million and total expenditures of \$101.3 million in fiscal year 2016. Total governmental fund balances of \$27.7 million at June 30, 2016, increased about \$7.3 million from the prior year. This increase in fund balance resulted primarily from the general fund revenues exceeding expenditures by about \$6.1 million.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the general fund. During the course of fiscal year 2016, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the general fund, the final actual revenues of \$96.6 million were about \$2.6 million more than the final budget amount of \$94.0 million. The difference \$2.6 million consisted of property tax collections coming in slightly above budget by \$950 thousand and the sale of surplus property in the amount of \$1.0 million.

The general fund's final actual expenditures of almost \$90.5 million were less than the final budget amount of \$94.0 million by roughly \$3.5 million. This variance was primarily due to actual expenditures for Instruction and Improvement of Instructional Services coming in about \$2.5 million less than the budgeted amount.

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2016, the School District had \$176.0 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Land	\$ 35,957,463	\$ 35,957,463
Construction in Progress	134,040	-
Land Improvements	12,149,021	11,954,145
Buildings and Improvements	121,722,372	124,820,324
Equipment	6,046,831	6,421,644
Total	<u>\$ 176,009,727</u>	<u>\$ 179,153,576</u>

Additional information about the School District's Capital Assets can be found in the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2016, the School District had about \$15.0 million in total debt outstanding which was consisted of about \$14.8 million in bond debt, \$163 thousand in capital lease debt and \$29 thousand in unamortized bond premiums. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Change in Long-Term Debt

	Governmental Activities	
	Fiscal Year 2016	Fiscal Year 2015
Bonds Payable	\$ 14,780,000	\$ 21,720,000
Capital Leases	162,865	322,362
Bond Premiums Amortized	29,248	205,252
Total	<u>\$ 14,972,113</u>	<u>\$ 22,247,614</u>

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

On November 13, 2015, "Moody's Investors Service has affirmed the Aa3 general obligation rating of Lowndes County School District, Georgia". – Moody's Rating Update 13 Nov 2015.

On February 24, 2016, "Standard & Poor's Ratings Services revised its outlook to stable from negative and affirmed its 'A+' underlying rating on Lowndes County School District, Georgia's general obligation (GO) debt. At the same time, Standard & Poor's affirmed its 'AA+' program rating, with a stable outlook, on the School District's general obligation."

"The outlook revision is based on our view of the stabilization of the School District's finances, demonstrated by a strong unaudited surplus for 2015 and positive results projected for fiscal 2016." – Standard & Poor's Ratings Direct February 24, 2016.

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District's operating millage for fiscal year 2016 was 16.848, which produced about \$1.50 million per mill. The millage rate for fiscal year 2017 increased slightly to 16.911 mills. The School District is growing at a rate of about 40-50 students per year. The School District plans to use state capital outlay entitlement funds for repairing and renovating facilities and is evaluating the future need to construct additional facilities to accommodate the growth and reduce portable classrooms at various schools. The School District plans to fund additional capital outlays with the one percent local sales tax revenue and remaining state capital outlay grants.
- The School District is beginning to realize some improvement through sound financial management after having weathered several years of economic lull. The 2016 tax digest levy anticipates a slight decrease of 2.3% (as compared to 2015) mainly due to 2015's timing of reassessments and reporting, as 2016's net digest increased 1.6% over 2014. The School District's state funds resulted in an estimated \$2.2 million increase in the School District's QBE for fiscal year 2017 as compared to fiscal year 2016. Revenues in fiscal year 2016 from property taxes increased roughly \$920 thousand from the prior year; State funds and Federal funds combined for the general fund, increased by about \$3.1 million from the prior year.
- The general fund had an unassigned fund balance of \$12.4 million at June 30, 2016, which is up about \$6.2 million from the prior year. The main drivers behind the School District's surplus were strategic budgeting with savings incentives, a delay to the State's planned health insurance cost increases, and revenue collections coming in slightly above budget. The Board anticipates increases to health insurance costs for employees, staffing increases as enrollment grows and the increasing repair and maintenance costs to gradually be offset with updated facilities in future years. The School District will continue to be a good steward of tax dollars while providing a quality education.

LOWNDES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*. Implementation of these statements required the School District to record a charge (decrease) to the government-wide Net Position at July 1, 2014 for the School District's share of the net pension liability for the pension plans administered through the Teachers Retirement System of Georgia (TRS). Readers should understand implementation of (GASB) Statement No. 68 and No. 71 will not affect the School District's Governmental Activities Fund Statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lee Goodman, Accountant at Lowndes County Board of Education, 1592 Norman Drive, Valdosta, Georgia, 31601. You may email your questions to leegoodman@lowndes.k12.ga.us.

LOWNDES COUNTY BOARD OF EDUCATION

LOWNDES COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 30,841,845.42
Accounts Receivable, Net	
Taxes	3,274,020.37
State Government	7,208,857.00
Federal Government	856,087.86
Other	20,532.52
Inventories	269,832.14
Other Current Assets	195.00
Capital Assets, Non-Depreciable	36,091,503.60
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>139,918,223.96</u>
Total Assets	<u>218,481,097.87</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	<u>10,507,297.93</u>
<u>LIABILITIES</u>	
Accounts Payable	2,289,302.68
Salaries and Benefits Payable	10,814,759.97
Interest Payable	218,274.73
Retainages Payable	12,570.83
Deposits and Unearned Revenues	276,495.00
Net Pension Liability	69,380,215.00
Long-Term Liabilities	
Due Within One Year	7,427,113.00
Due in More Than One Year	<u>7,545,000.00</u>
Total Liabilities	<u>97,963,731.21</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	<u>8,822,764.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	175,906,121.76
Restricted for	
Continuation of Federal Programs	513,070.93
Debt Service	10,075,045.27
Capital Projects	4,177,218.67
Unrestricted (Deficit)	<u>(68,469,556.04)</u>
Total Net Position	<u>\$ 122,201,900.59</u>

LOWNDES COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 60,459,071.66	\$ 668,600.63
Support Services		
Pupil Services	3,708,583.13	-
Improvement of Instructional Services	2,851,096.13	-
Educational Media Services	1,374,724.97	-
General Administration	1,013,662.25	-
School Administration	4,165,186.18	-
Business Administration	1,314,027.93	-
Maintenance and Operation of Plant	7,209,756.94	-
Student Transportation Services	5,200,567.69	-
Central Support Services	826,321.75	-
Other Support Services	180,365.48	-
Operations of Non-Instructional Services		
Enterprise Operations	163,603.78	-
Community Services	1,972.12	-
Food Services	5,603,131.71	1,254,094.48
Interest on Short-Term and Long-Term Debt	752,149.16	-
	<u>94,824,220.88</u>	<u>1,922,695.11</u>
Total Governmental Activities	\$	\$
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 44,457,202.24	\$ -	\$ (15,333,268.79)
561,731.69	-	(3,146,851.44)
2,150,478.72	-	(700,617.41)
1,329,084.21	-	(45,640.76)
1,617,477.71	-	603,815.46
2,578,399.56	-	(1,586,786.62)
27,239.06	-	(1,286,788.87)
3,309,004.28	-	(3,900,752.66)
1,440,239.25	308,880.00	(3,451,448.44)
18,225.15	-	(808,096.60)
84,421.40	-	(95,944.08)
-	-	(163,603.78)
-	-	(1,972.12)
4,144,559.36	-	(204,477.87)
-	-	(752,149.16)
<u>\$ 61,718,062.63</u>	<u>\$ 308,880.00</u>	<u>(30,874,583.14)</u>
		26,037,255.51
		72,559.25
		11,827,638.34
		482,516.66
		3,851,708.00
		101,052.92
		<u>2,045,679.22</u>
		<u>44,418,409.90</u>
		13,543,826.76
		<u>108,658,073.83</u>
		\$ <u>122,201,900.59</u>

LOWNDES COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 17,323,145.16	\$ 4,248,318.70	\$ 9,270,381.56	\$ 30,841,845.42
Accounts Receivable, Net				
Taxes	2,251,081.93	-	1,022,938.44	3,274,020.37
State Government	7,208,857.00	-	-	7,208,857.00
Federal Government	856,087.86	-	-	856,087.86
Other	20,532.52	-	-	20,532.52
Inventories	269,832.14	-	-	269,832.14
Other Current Assets	195.00	-	-	195.00
 Total Assets	 \$ 27,929,731.61	 \$ 4,248,318.70	 \$ 10,293,320.00	 \$ 42,471,370.31
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,230,773.48	\$ 58,529.20	\$ -	\$ 2,289,302.68
Salaries and Benefits Payable	10,814,759.97	-	-	10,814,759.97
Retainages Payable	-	12,570.83	-	12,570.83
Deposits and Unearned Revenue	276,495.00	-	-	276,495.00
 Total Liabilities	 13,322,028.45	 71,100.03	 -	 13,393,128.48
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,348,913.16	-	-	1,348,913.16
<u>FUND BALANCES</u>				
Nonspendable	269,832.14	-	-	269,832.14
Restricted	303,647.85	4,177,218.67	10,293,320.00	14,774,186.52
Committed	251,899.63	-	-	251,899.63
Assigned	75,000.00	-	-	75,000.00
Unassigned	12,358,410.38	-	-	12,358,410.38
 Total Fund Balances	 13,258,790.00	 4,177,218.67	 10,293,320.00	 27,729,328.67
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 27,929,731.61	 \$ 4,248,318.70	 \$ 10,293,320.00	 \$ 42,471,370.31

LOWNDES COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 27,729,328.67

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	35,957,463.32		
Construction in progress		134,040.28		
Buildings and improvements		160,660,139.97		
Equipment		17,247,077.06		
Land improvements		17,226,971.40		
Accumulated depreciation		<u>(55,215,964.47)</u>		176,009,727.56

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability	(69,380,215.00)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	1,684,533.93
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Taxes that are not available to pay for current period expenditures are deferred in the funds.	1,348,913.16
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Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$	(14,780,000.00)		
Accrued interest payable		(218,274.73)		
Capital leases payable		(162,865.05)		
Amortized bond premiums		<u>(29,247.95)</u>		<u>(15,190,387.73)</u>

Net position of governmental activities (Exhibit "A") \$ 122,201,900.59

LOWNDES COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 26,085,243.13	\$ -	\$ -	\$ 26,085,243.13
Sales Taxes	482,516.66	-	11,827,638.34	12,310,155.00
State Funds	56,764,058.99	-	-	56,764,058.99
Federal Funds	9,307,815.54	-	-	9,307,815.54
Charges for Services	1,922,695.11	-	-	1,922,695.11
Investment Earnings	50,019.61	51,032.80	0.51	101,052.92
Miscellaneous	2,000,679.22	45,000.00	-	2,045,679.22
Total Revenues	<u>96,613,028.26</u>	<u>96,032.80</u>	<u>11,827,638.85</u>	<u>108,536,699.91</u>
<u>EXPENDITURES</u>				
Current				
Instruction	57,548,238.26	1,153,437.55	-	58,701,675.81
Support Services				
Pupil Services	3,589,966.62	3,710.00	-	3,593,676.62
Improvement of Instructional Services	2,913,493.18	-	-	2,913,493.18
Educational Media Services	1,334,793.42	-	-	1,334,793.42
General Administration	948,328.20	-	-	948,328.20
School Administration	4,278,481.43	-	-	4,278,481.43
Business Administration	1,322,170.43	-	-	1,322,170.43
Maintenance and Operation of Plant	7,113,390.02	159,828.50	-	7,273,218.52
Student Transportation Services	4,871,424.44	310,139.51	-	5,181,563.95
Central Support Services	822,325.55	24,491.98	-	846,817.53
Other Support Services	188,057.41	-	-	188,057.41
Enterprise Operations	163,603.78	-	-	163,603.78
Community Services	1,972.12	-	-	1,972.12
Food Services Operation	5,280,591.87	-	-	5,280,591.87
Capital Outlay	83,880.53	1,154,338.09	-	1,238,218.62
Debt Services				
Principal	-	159,496.88	6,940,000.00	7,099,496.88
Dues and Fees	-	-	5,378.75	5,378.75
Interest	11,236.02	6,801.84	876,680.00	894,717.86
Total Expenditures	<u>90,471,953.28</u>	<u>2,972,244.35</u>	<u>7,822,058.75</u>	<u>101,266,256.38</u>
Revenues over (under) Expenditures	<u>6,141,074.98</u>	<u>(2,876,211.55)</u>	<u>4,005,580.10</u>	<u>7,270,443.53</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	180,441.87	180,441.87
Transfers Out	-	(180,441.87)	-	(180,441.87)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(180,441.87)</u>	<u>180,441.87</u>	<u>-</u>
Net Change in Fund Balances	<u>6,141,074.98</u>	<u>(3,056,653.42)</u>	<u>4,186,021.97</u>	<u>7,270,443.53</u>
Fund Balances - Beginning	<u>7,117,715.02</u>	<u>7,233,872.09</u>	<u>6,107,298.03</u>	<u>20,458,885.14</u>
Fund Balances - Ending	<u>\$ 13,258,790.00</u>	<u>\$ 4,177,218.67</u>	<u>\$ 10,293,320.00</u>	<u>\$ 27,729,328.67</u>

LOWNDES COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 7,270,443.53

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 1,359,051.26	
Depreciation expense	<u>(4,478,936.30)</u>	(3,119,885.04)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		(23,963.69)
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Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		24,571.63
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Capital lease payments	159,496.88	
Bond principal retirements	6,940,000.00	
Amortization of bond premium	<u>176,004.50</u>	
Total long-term debt repayments		7,275,501.38

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense		1,974,590.25
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on issuance of bonds		<u>142,568.70</u>
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Change in net position of governmental activities (Exhibit "B")		<u>\$ 13,543,826.76</u>
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LOWNDES COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,221.80	\$ 641,912.70
<u>LIABILITIES</u>		
Funds Held for Others		\$ 641,912.70
<u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 2,221.80	

LOWNDES COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>2.33</u>
<u>DEDUCTIONS</u>	
Other Deductions	<u>-</u>
Change in Net Position	2.33
Net Position - Beginning	<u>2,219.47</u>
Net Position - Ending	\$ <u><u>2,221.80</u></u>

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Lowndes County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a board elected by the voters and a Superintendent appointed by the Board. The School District is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

GOVERNMENT-WIDE STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate financial statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund types:

- Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which principal and income benefit individuals, private organizations or other governments.
- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are

recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to qualifying program cost first, followed by cost-reimbursement grants, then general revenues.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

INVENTORIES

Food Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (calculated on the first-in, first-out basis). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 100,000.00	20 to 50 years
Buildings and Improvements	\$ 50,000.00	15 to 50 years
Equipment	\$ 25,000.00	5 to 30 years
Intangible Assets	\$ 1,000,000.00	30 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FUND BALANCES

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The School District's fund balances are classified as follows:

Nonspendable consists of resources that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted consists of resources that can be used only for specific purposes pursuant constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned consists of resources constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PROPERTY TAXES

The Lowndes County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on October 29, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on January 20, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Lowndes County Tax Commissioner bills and collects the property taxes for the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$25,467,128.82.

The tax millage rate levied for the 2015 tax year (calendar year) for the School District was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>16.848</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$545,555.06 during fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$11,827,638.34 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

Any position or expenditure not previously approved in the annual budget that exceeds \$25,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. § 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. § 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance. At June 30, 2016, \$88,449.05 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2016, the School District had deposits with a carrying amount of \$28,809,986.68, and a bank balance of \$29,104,439.02. The bank balances insured by Federal depository insurance were \$1,121,278.61 and the bank balances collateralized with securities held by the pledging financial institution in the School District's name were \$27,726,877.47.

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

At June 30, 2016, \$256,282.94 of the School District's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 88,449.05
Uninsured with collateral held by the pledging financial institution	-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name	<u>167,833.89</u>
Total	<u>\$ 256,282.94</u>

Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Statement of Net Position	
Cash and cash equivalents	\$ 30,841,845.42
Statement of Fiduciary Net Position	
Cash and cash equivalents	<u>644,134.50</u>
Total cash and cash equivalents	<u>31,485,979.92</u>
Less:	
Cash on Hand	2,200.00
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>2,673,793.24</u>
Total carrying value of deposits - June 30, 2016	<u>\$ 28,809,986.68</u>

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of \$2,673,793.24 in Georgia Fund 1, a local government investment pool. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share, which approximates fair value. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 42 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 35,957,463.32	\$ -	\$ -	\$ 35,957,463.32
Construction in Progress	-	134,040.28	-	134,040.28
Total Capital Assets Not Being Depreciated	<u>35,957,463.32</u>	<u>134,040.28</u>	<u>-</u>	<u>36,091,503.60</u>
Capital Assets Being Depreciated				
Buildings and Improvements	160,577,178.21	82,961.76	-	160,660,139.97
Equipment	16,862,039.73	523,938.00	138,900.67	17,247,077.06
Land Improvements	16,608,860.18	618,111.22	-	17,226,971.40
Less Accumulated Depreciation for:				
Buildings and Improvements	35,756,854.06	3,180,913.63	-	38,937,767.69
Equipment	10,440,396.28	874,787.14	114,936.98	11,200,246.44
Land Improvements	<u>4,654,714.81</u>	<u>423,235.53</u>	<u>-</u>	<u>5,077,950.34</u>
Total Capital Assets, Being Depreciated, Net	<u>143,196,112.97</u>	<u>(3,253,925.32)</u>	<u>23,963.69</u>	<u>139,918,223.96</u>
Governmental Activity Capital Assets - Net	<u>\$ 179,153,576.29</u>	<u>\$ (3,119,885.04)</u>	<u>\$ 23,963.69</u>	<u>\$ 176,009,727.56</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 3,122,308.48
Support Services	
Pupil Services	\$ 175,288.52
Educational Media Services	69,156.90
General Administration	76,442.69
School Administration	18,019.51
Business Administration	7,060.00
Maintenance and Operation of Plant	85,552.30
Student Transportation Services	562,521.64
Central Support Services	540.00
Other Support Services	<u>1,280.25</u>
Food Services	<u>995,861.81</u>
	<u>360,766.01</u>
	<u>\$ 4,478,936.30</u>

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Transfers to</u>	<u>Transfers From</u> <u>Capital Projects</u> <u>Fund</u>
Debt Service Fund	\$ <u>180,441.87</u>

Transfers are used to move ESPLOST proceeds collected by the capital projects fund to the debt service fund to provide funding to service debt.

NOTE 7: SHORT-TERM DEBT

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its general fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>
Tax Anticipation Notes	\$ <u>-</u>	\$ <u>5,000,000.00</u>	\$ <u>5,000,000.00</u>	\$ <u>-</u>

NOTE 8: LONG-TERM LIABILITIES

The changes in long-term liabilities during the fiscal year for governmental activities, were as follows:

	<u>Governmental Activities</u>				
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within One</u> <u>Year</u>
General Obligation Bonds	\$ 21,720,000.00	\$ -	\$ 6,940,000.00	\$ 14,780,000.00	\$ 7,235,000.00
Capital Leases	322,361.94	-	159,496.89	162,865.05	162,865.05
Unamortized Bond Premiums	205,252.45	-	176,004.50	29,247.95	29,247.95
	<u>\$ 22,247,614.39</u>	<u>\$ -</u>	<u>\$ 7,275,501.39</u>	<u>\$ 14,972,113.00</u>	<u>\$ 7,427,113.00</u>

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of various issues of general obligation bonds that are generally noncallable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Of the total amount originally authorized, \$50,000,000.00 remains unissued. General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2006	3.576%	12/20/2006	2/1/2018	\$ 10,000,000.00	\$ 10,000,000.00
General Government - Series 2008	3.520% - 3.730%	12/17/2008	2/1/2017	9,595,000.00	4,780,000.00
				<u>\$ 19,595,000.00</u>	<u>\$ 14,780,000.00</u>

The following schedule details debt service requirements to maturity for the School District's total general obligation bonds payable:

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized Bond
	Principal	Interest	Premium
2017	\$ 7,235,000.00	\$ 529,680.00	\$ 29,247.95
2018	7,545,000.00	269,809.20	-
Total Principal and Interest	<u>\$ 14,780,000.00</u>	<u>\$ 799,489.20</u>	<u>\$ 29,247.95</u>

CAPITAL LEASES

The School District has acquired buses under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Equipment	\$ 797,835.00
Less: Accumulated Depreciation	<u>257,833.92</u>
	<u>\$ 540,001.08</u>

Capital leases currently outstanding are as follows:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
School Buses	2.11%	4/15/2013	4/15/2017	<u>\$ 797,835.00</u>	<u>\$ 162,865.05</u>

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

The following is a schedule of total capital lease payments:

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ <u>162,865.05</u>	\$ <u>3,433.67</u>

NOTE 9: RISK MANAGEMENT

INSURANCE

Commercial Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the general fund by the School District. The School District accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2015	\$ <u>7,877.38</u>	\$ <u>6,186.29</u>	\$ <u>8,933.38</u>	\$ <u>5,130.29</u>
2016	\$ <u>5,130.29</u>	\$ <u>400.00</u>	\$ <u>5,530.29</u>	\$ <u>-</u>

SURETY BOND

The School District purchased a surety bond to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 25,000.00

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

NOTE 10: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2016:

Nonspendable		
Inventories		\$ 269,832.14
Restricted		
Continuation of Federal Programs	\$ 303,647.85	
Capital Projects	4,177,218.67	
Debt Service	<u>10,293,320.00</u>	14,774,186.52
Committed		
School Activity Accounts		251,899.63
Assigned		
Self-Insurance		75,000.00
Unassigned		<u>12,358,410.38</u>
Fund Balance, June 30, 2016		<u>\$ 27,729,328.67</u>

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

NOTE 11: BROADBAND SPECTRUM LEASE

Effective June 17, 2008, the School District entered into a 10-year lease agreement with Utopian Wireless Corporation, now Spectrum Holdings, for the lease of excess spectrum capacity on Education Broadband Service licenses currently held by School District. These licenses were granted to the School District by the Federal Communications Commission. The lease agreement requires monthly lease payments over the term of the lease, of which \$9,000.00 was recognized during fiscal year 2016 as a general revenue on the Statement of Activities.

NOTE 12: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016:

Project	Unearned Executed Contracts (1)	Payments through June 30, 2016 (2)
Lowndes High Front Office	\$ <u>77,400.57</u>	\$ <u>134,040.28</u>

(1) The amounts described are not reflected in the basic financial statements.

(2) Payments include retainages payable at year-end.

NOTE 13: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

LITIGATION

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

NOTE 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012 pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2015 – June 30, 2016 \$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – December 31, 2015 \$596.20 per member per month

January 1, 2016 – June 30, 2016 \$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	\$ 10,191,947.83
2015	100%	\$ 9,781,797.02
2014	100%	\$ 9,780,929.06

NOTE 15: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27%, of which 14.21% of payroll was required from the School District and 0.06% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$6,973,246.93 and \$30,418.90 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$228,726.00.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School District reported a liability of \$69,380,215.00 for its proportionate share of the net pension liability for TRS.

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 69,380,215.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>322,292.00</u>
Total	<u>\$ 69,702,507.00</u>

The net pension liability for TRS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 0.455729%, which was a decrease of 0.017151% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$995,219.00.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of \$5,005,233.00 for TRS and \$59,349.00 for PSERS and revenue of \$6,572.00 for TRS and \$59,349.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "I"

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 610,235.00
Net difference between projected and actual earnings on pension plan investments	-	5,852,294.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	3,534,051.00	2,360,235.00
School District contributions subsequent to the measurement date	<u>6,973,246.93</u>	<u>-</u>
Total	<u>\$ 10,507,297.93</u>	<u>\$ 8,822,764.00</u>

The School District contributions subsequent to the measurement date of \$6,973,246.93 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2017	\$ (2,385,402.00)
2018	\$ (2,385,402.00)
2019	\$ (2,385,406.00)
2020	\$ 2,008,941.00
2021	\$ (141,444.00)

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the **School District's** proportionate share of the net pension liability to changes in the discount rate:* The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 119,224,654.00	\$ 69,380,215.00	\$ 28,296,537.00

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publically available at www.trsga.com/publications and <http://www.ers.ga.gov/formspubs/formspubs.html>.

DEFINED CONTRIBUTION PLAN

In 1982, Lowndes County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS) and Teachers Retirement System (TRS). Recognizing that PSERS and TRS were limited defined contribution and defined benefit plans which did not provide for an adequate retirement for these groups of employees, it was the Board's desire to supplement the retirement of these groups.

The Board selected Metlife, Valic, Hartford, ABC Planmember Services, and Aspire as the providers of these plans. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 6 percent of the employee's base pay. In fiscal year 2012, the Board's contribution method for employees covered under TRS changed. The Board now matches up to 6% of the TRS covered employee's contribution.

The employee becomes vested in the plan upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment with the Lowndes County Board of Education. Funds are available for financial hardships and loans.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	\$ 2,243,920.28
2015	100%	\$ 2,311,133.08
2014	100%	\$ 2,398,188.99

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LOWNDES COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.455729%	\$ 69,380,215.00	\$ 322,292.00	\$ 69,702,507.00	\$ 48,328,246.43	143.56%	81.44%
2015	0.472880%	\$ 59,742,151.00	\$ 276,425.00	\$ 60,018,576.00	\$ 48,462,201.30	123.28%	84.03%

LOWNDES COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "2"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00%	\$ -	\$ 995,219.00	\$ 995,219.00	\$ 3,203,849.09	N/A	87.00%
2015	0.00%	\$ -	\$ 892,608.00	\$ 892,608.00	\$ 3,334,625.24	N/A	88.29%

LOWNDES COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2016	\$ 6,973,246.93	\$ 6,973,246.93	\$ -	\$ 49,081,764.17	14.21%
2015	\$ 6,325,782.68	\$ 6,325,782.68	\$ -	\$ 48,328,246.43	13.09%

LOWNDES COUNTY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE "4"

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Public School Employees Retirement System

Changes of assumptions: The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

LOWNDES COUNTY BOARD OF EDUCATION

SCHEDULE "5"

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	\$ 25,135,345.00	\$ 25,135,345.00	\$ 26,085,243.13	\$ 949,898.13
Sales Taxes	439,039.00	439,039.00	482,516.66	43,477.66
State Funds	55,815,273.00	56,397,163.00	56,764,058.99	366,895.99
Federal Funds	9,587,569.00	9,732,333.00	9,307,815.54	(424,517.46)
Charges for Services	1,952,739.00	1,952,739.00	1,922,695.11	(30,043.89)
Investment Earnings	21,131.00	21,131.00	50,019.61	28,888.61
Miscellaneous	332,000.00	332,000.00	2,000,679.22	1,668,679.22
Total Revenues	93,283,096.00	94,009,750.00	96,613,028.26	2,603,278.26
EXPENDITURES				
Current				
Instruction	59,528,189.00	59,647,144.00	57,548,238.26	2,098,905.74
Support Services				
Pupil Services	3,636,778.00	3,657,479.00	3,589,966.62	67,512.38
Improvement of Instructional Services	3,131,155.00	3,330,855.00	2,913,493.18	417,361.82
Educational Media Services	1,394,394.00	1,394,394.00	1,334,793.42	59,600.58
General Administration	1,035,104.00	1,029,623.00	948,328.20	81,294.80
School Administration	4,444,823.00	4,447,708.00	4,278,481.43	169,226.57
Business Administration	1,424,314.00	1,424,314.00	1,322,170.43	102,143.57
Maintenance and Operation of Plant	7,006,340.00	7,008,340.00	7,113,390.02	(105,050.02)
Student Transportation Services	5,482,408.00	5,535,515.00	4,871,424.44	664,090.56
Central Support Services	799,963.00	802,005.00	822,325.55	(20,320.55)
Other Support Services	68,533.00	128,924.00	188,057.41	(59,133.41)
Food Services Operation	5,331,095.00	5,331,095.00	5,280,591.87	50,503.13
Enterprise Operations	-	-	163,603.78	(163,603.78)
Community Services Operations	-	-	1,972.12	(1,972.12)
Capital Outlay	-	272,354.00	83,880.53	188,473.47
Debt Service				
Interest	-	-	11,236.02	(11,236.02)
Total Expenditures	93,283,096.00	94,009,750.00	90,471,953.28	3,537,796.72
Excess of Revenues over (under) Expenditures	-	-	6,141,074.98	6,141,074.98
OTHER FINANCING SOURCES (USES)				
Other Sources	-	3,000.00	-	3,000.00
Other Uses	-	(3,000.00)	-	(3,000.00)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	6,141,074.98	6,141,074.98
Fund Balances - Beginning	4,005,545.11	6,724,279.40	7,117,715.02	393,435.62
Fund Balances - Ending	\$ 4,005,545.11	\$ 6,724,279.40	\$ 13,258,790.00	\$ 6,534,510.60

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$431,888.02 and \$406,792.57, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

LOWNDES COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

SCHEDULE "6"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10,553	16165GA324N1099	\$ 932,183.72
National School Lunch Program	10,555	16165GA324N1099	4,276,647.55
Total U.S. Department of Agriculture			<u>5,208,831.27</u>
Education, U. S. Department of			
Direct			
Impact Aid	84,041		<u>273,125.99</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84,027	H027A150073	2,258,502.00
Preschool Grants	84,173	H173A150081	95,116.00
Total Special Education Cluster			<u>2,353,618.00</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84,048	V048A150010	96,453.83
Education for Homeless Children and Youth	84,196	S196A150011	33,535.42
English Language Acquisition Grants	84,365	S365A150010	35,386.83
Improving Teacher Quality State Grants	84,367	S367A150001	322,382.82
Migrant Education - State Grant Program	84,011	S011A150011	110,036.17
Title I Grants to Local Educational Agencies	84,010	S010A150010	2,065,538.80
Total Other Programs			<u>2,663,333.87</u>
Total U. S. Department of Education			<u>5,290,077.86</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		<u>49,069.85</u>
Total Expenditures of Federal Awards			<u>\$ 10,547,978.98</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Lowndes County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net assets of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

LOWNDES COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

SCHEDULE "7"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 1,283,416.96
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	3,306,548.00
Kindergarten Program - Early Intervention Program	197,330.00
Primary Grades (1-3) Program	8,047,245.00
Primary Grades - Early Intervention (1-3) Program	1,013,448.00
Upper Elementary Grades (4-5) Program	3,771,073.00
Upper Elementary Grades - Early Intervention (4-5) Program	575,486.00
Middle School (6-8) Program	6,947,407.00
High School General Education (9-12) Program	5,440,802.00
Vocational Laboratory (9-12) Program	1,737,480.00
Students with Disabilities	8,248,860.00
Gifted Student - Category VI	1,575,976.00
Remedial Education Program	134,622.00
Alternative Education Program	468,589.00
English Speakers of Other Languages (ESOL)	316,611.00
Media Center Program	1,147,763.00
20 Days Additional Instruction	349,337.00
Staff and Professional Development	193,486.00
Indirect Cost	
Central Administration	1,312,884.00
School Administration	2,044,098.00
Facility Maintenance and Operations	2,643,081.00
Amended Formula Adjustment	(2,623,659.00)
Categorical Grants	
Pupil Transportation	
Regular	1,024,813.00
Nursing Services	197,935.00
Vocational Supervisors	27,167.00
Principal Staff and Professional Development	2,863.00
Education Equalization Funding Grant	3,851,708.00
Other State Programs	
Food Services	136,549.00
GNETS State Grant	2,210,239.00
Math and Science Supplements	64,561.37
Preschool Handicapped Program	142,072.00
Pupil Transportation - State Bonds	308,880.00
Teachers Retirement	30,418.90
Vocational Education	139,666.00
Governor's Office of Student Achievement	
Connections for Classrooms Grant	119,494.17
Innovation Fund	147,082.59
Office of the State Treasurer	
Public School Employees Retirement	228,726.00
	\$ 56,764,058.99

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LOWNDES COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<u>SPLOST IV PROJECTS</u>							
(a) Retiring previously incurred general obligation debt of the School District;	\$ 39,200,000.00	\$ 39,200,000.00	\$ 6,940,000.00	\$ 23,135,000.00	\$ -	\$ -	June 2018
(b) the addition, renovation, repair and improvement to existing school buildings and facilities, including, but not limited to, all existing elementary and middle schools and Lowndes High School;	39,942,150.00	11,386,586.00	1,115,062.74	2,472,987.66	-	-	June 2018
(c) planning and design of new school buildings and facilities, including, but not limited to, a new high school and a new auditorium/performing arts facility;	780,000.00	780,000.00	-	-	-	-	June 2018
(d) the acquisition of technology equipment, security and safety equipment, textbooks, band and other musical instruments, vocational equipment and physical education and athletic equipment;	9,552,850.00	9,552,850.00	1,190,392.88	3,913,445.37	-	-	June 2018
(e) the acquisition of school vehicles, including, but not limited to, school buses and maintenance vehicles and equipment;	5,400,000.00	5,200,000.00	947,293.73	348,379.11	-	-	June 2018
(f) the acquisition of any property necessary and desirable therefore, both real and personal;	-	200,000.00	28,375.00	44,405.00	-	-	June 2018
(g) the repayment of general obligation debt incurred through temporary loans for capital outlay project expenses.	-	-	-	-	-	-	
	<u>\$ 94,875,000.00</u>	<u>\$ 66,319,436.00</u>	<u>\$ 10,221,124.35</u>	<u>\$ 29,914,217.14</u>	<u>\$ -</u>	<u>\$ -</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Lowndes County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 17,030,819.92
Current Year	<u>876,680.00</u>
Total	<u>\$ 17,907,499.92</u>

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

June 16, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Lowndes County Board of Education

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowndes County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated June 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

June 16, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Lowndes County Board of Education

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Lowndes County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

LOWNDES COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-2014-003 Internal Controls over School Activity Accounts

Control Category:	Revenues/Receivables/Receipts
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Finding Status: Unresolved

The School District is working to implement the recommendations of the Department of Audits. Procedures are being set up to strengthen the controls over school activity accounts.

FS 2015-002 Management Override of Expenditure Process Internal Controls

Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Finding Status: Previously Reported Corrective Action Implemented

This finding had not been resolved due to the timing of the prior year audit.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

LOWNDES COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt
Service Fund; Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? None Reported

Type of auditor's report issued on compliance for major programs:
All major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? No

LOWNDES COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001	<u>Internal Controls over School Activity Accounts</u>
Control Category:	Revenues/Receivables/Receipts
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001 FS 2014-003

Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the School Activity Accounts, specifically, revenue from athletic events.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide proper separation of duties and reasonable assurance that transactions are processed according to established procedures.

Condition:

The following deficiencies were noted during our tests of school activity account gate receipts:

- Pre-numbered receipts were not utilized for athletic events.
- School District employees were paid directly from cash on hand from athletic event receipts rather than being properly run through the payroll process.
- Ticket reconciliation forms were not signed by gate workers.

Cause:

The Board's procedural changes were implemented subsequent to the fiscal year 2015 audit exit conference, resulting in final correction as of July 1, 2016.

Effect or Potential Effect:

Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to errors and/or irregularities and not be detected in a timely manner.

Recommendation:

Management should implement controls to ensure that all receipts are recorded and properly documented. Additionally, management should ensure that all employee compensation is handled through the payroll process. Management should monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

Views of Responsible Officials:

The Board concurs with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION

LOWNDES COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2016-001	<u>Internal Controls over School Activity Accounts</u>
Control Category:	Revenues/Receivables/Receipts
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2015-001 FS 2014-003

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the School Activity Accounts, specifically, revenue from athletic events.

Corrective Action Plans:

The Board has completed implementation of the auditor's recommendations as of July 1, 2016. Procedural changes were executed to strengthen controls over the receipts processes for the functions noted.

Estimated Completion Date: July 1, 2016
Contact Person: Lee Goodman, Coordinator of Finance
Telephone: (229) 245-2250
Email: leegoodman@lowndes.k12.ga.us

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

No matters were reported.